

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
21-Jan-19	China GDP growth rate Y/Y (Q4)	6.5%	6.4%
22-Jan-19	UK unemployment rate (Nov)	4.1%	4.1%
23-Jan-19	Bank of Japan interest rate	-0.1%	-0.1%
23-Jan-19	European consumer confidence (Jan)	-6.2	-6.5
24-Jan-19	Australia unemployment rate (Dec)	5.1%	5.1%
24-Jan-19	European composite PMI (Jan)	51.1	51.4
24-Jan-19	European interest rate	0%	0%
24-Jan-19	US composite PMI (Jan)	54.4	54.2

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

In recent months one of the key risks for the domestic economy has been the potential for negative house price moves to impact the broader economy. While it is hard to draw any firm conclusion at this stage, recent data releases (weak consumer confidence) and early indications of subdued retail trade over the Christmas period are not encouraging. Last week home loan data did little to suggest that the housing market is stabilising. Looking ahead, the full impact of the banking Royal Commission is likely still to be felt and there is also the possibility of adverse effects from potential negative gearing and CGT changes.

Looking ahead, trade tensions between the US and China, as well as the potential for further stimulus measures in China will be of key importance for the domestic economy.

Labour market data is the highlight in a quiet week ahead. Chinese GDP data will also be important for the domestic market.



US

Data publication in the US continues to be impacted by the partial government shutdown, meaning that a number of releases were cancelled last week. One bright spot came in the form of the Philadelphia Fed Manufacturing index, which surged this month, contrasting recent weakness in other manufacturing indices. Later in the week, industrial production outperformed but consumer sentiment weakened sharply.

Away from data, trade negotiations between the US and China are ongoing, although progress reports have been limited. On Thursday the Wall Street Journal outlined positive developments, suggesting that the US was set to reduce some tariffs, however this was subsequently denied by Treasury. Time for negotiations is limited ahead of the 1 March deadline as February sees celebrations for Chinese New Year.

The data schedule is limited in the US this week and will likely be impacted by the government shutdown. PMI data is the highlight.



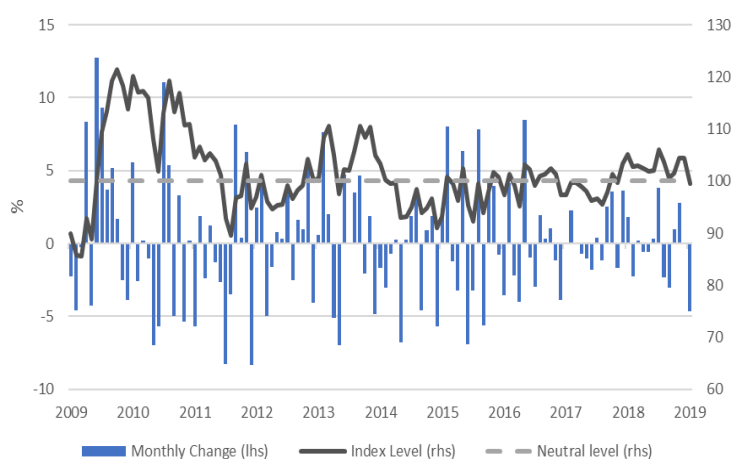
Europe

A relatively sparse data schedule in Europe last week saw industrial production underperform expectations while in the UK inflation data was broadly in line with consensus and retail sales underperformed in December.

UK politics was firmly in focus last week as there were some significant developments relating to the Brexit process. Firstly, Theresa May's Brexit deal suffered a resounding defeat in the much-anticipated parliamentary vote on Tuesday and then her Conservative party survived a vote of no confidence the following day. The path from here is not straightforward, and the UK must first agree on what constitutes an acceptable deal before attempting to renegotiate with the EU. With the March 29 deadline fast approaching, the prospect of a delayed Brexit date is increasingly likely.

Consumer confidence numbers and PMI data will be released in Europe this week while labour market data is the highlight in the UK.

Chart of the week— Australian consumer confidence



Consumer confidence fell by 4.7% in January, the largest monthly fall since January 2015, pushing the index below the neutral 100 mark to reach its lowest level since September 2017.

Taken in isolation the latest reading would not be cause for concern, with the index level only marginally below neutral and not far from the long-term average. The concern here however is that this move is an indication of spill over effects from recent house price declines, and there are some aspects of the underlying data that support this theory.

Firstly, confidence is weakest in NSW, where house price declines have been greatest; and secondly, confidence is higher among renters than owners. One data point is hardly conclusive, but this is a theme that warrants close attention.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 18-JAN-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Index	61,136.38	1.82	2.17	11.25	6.58
US S&P 500 Index	5,314.78	2.90	-3.08	14.96	9.94
Europe STOXX 600 Index	677.86	2.26	-12.07	6.11	3.94
UK FTSE 100 Index	6,166.12	0.77	-6.00	10.85	4.35
Japan TOPIX Index	2,199.93	2.34	-16.03	8.13	5.59
MSCI World ex-Australia Index	4,393.88	3.02	-5.92	11.95	7.24
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.91	-0.02	0.17	-0.04	-0.09
Australian 10-year bond yield	2.34	0.06	-0.53	-0.12	-0.36
US 90-day bank bill yield	2.37	-0.02	0.98	0.70	0.46
US 10-year bond yield	2.78	0.08	0.16	0.25	-0.01
UK 10-year bond yield	1.35	0.06	0.02	-0.11	-0.30
German 10-year bond yield	0.26	0.02	-0.31	-0.09	-0.30
COMMODITIES		%	%	%	%
Gold	1,282.11	-0.63	-3.39	5.57	0.44
Oil—West Texas Crude	53.80	4.28	-15.87	22.29	-10.63
Iron Ore Spot Price Index	72.74	-0.11	-0.38	20.09	-10.97
CURRENCIES		%	%	%	%
AUD:USD	0.72	-0.43	-10.61	0.79	-4.04
EUR:USD	1.14	-0.90	-7.31	1.49	-3.47
GBP:USD	1.29	0.10	-7.94	-3.26	-4.81
USD:JPY	109.75	1.47	-1.05	-2.30	1.02
NZD:USD	0.67	-1.17	-8.00	1.07	-4.11
CHF:USD	1.00	-1.42	-3.34	0.41	-1.77
AUD:EUR	0.63	0.48	-3.56	-0.69	-0.59
AUD:GBP	0.56	-0.51	-2.90	4.18	0.81
AUD:JPY	78.65	1.04	-11.56	-1.54	-3.06

*BP = Basis Point, Source: Bloomberg

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